

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Notice FSFL-94**

**For:** State and County Offices

**FSFL National and State Office Annual Review Findings**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

During an FSFL OIG audit, it was recommended that State Offices perform annual reviews of outstanding FSFL's to measure and evaluate the effectiveness of FSFL policies and internal controls. Therefore, each year the National Office will:

- select a sample of outstanding FSFL's
- notify the respective State Offices of the selection in March.

The first sampling of State Office annual reviews involved 7 State Offices and 17 County Offices. Of the 48 FSFL's reviewed by State Offices, 30 had approval- and processing-related errors (63 percent for the sample total). Of the 17 FSFL's reviewed for servicing compliance, 3 had program-related errors (18 percent for the sample total).

The FSFL Program error findings identified in this notice are critical to protecting the Government's interest, and the established FSFL policies in place must be enforced.

**B Purpose**

This notice:

- informs State and County Offices of National and State Office findings for:
  - FY 2011 and FY 2012 approved and disbursed FSFL's
  - FY 2008 and FY 2010 FSFL servicing
- directs follow-up action within each State to ensure that all offices review the listed discovered errors and take any needed corrective action
- is being issued according to FSA's corrective action plan to minimize future FSFL approval, processing, and servicing errors.

Disposal Date	Distribution
April 1, 2014 9-27-13	State Offices; State Offices relay to County Offices

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### 1 Overview (Continued)

#### C National Office Action

The National Office will:

- post the FSFL AgLearn Training modules to the DAFO web site on October 1, 2013, to assist with additional FSFL training
- be available to assist State Offices with developing corrective action plans, if necessary.

#### D SED Action

SED's shall ensure that:

- applicable State Office program chiefs and specialists review this notice and all program-related finding reports in detail to:
  - develop corrective action plans, as needed
  - ensure that County Offices follow applicable program procedures issued through National notices and program handbooks

**Note:** SED's are authorized to issue State supplements to 1-FSFL; however, the State supplement may **not** be:

- issued to simply state, word for word, policies already established in 1-FSFL
  - less restrictive than National policy.
- additional internal control procedures are developed to avoid findings indicated by any program-related reviews for the FSFL Program
- applicable State Office program chiefs provide additional training, where needed
- corrective action plans are implemented to reduce improper payments
- DD's, within their respective districts, shall:
  - review this notice with CED's and program technicians
  - ensure understanding of the contents.

#### E Contact

State Offices shall direct questions about this notice to Toni Williams, PSD, by either of the following:

- e-mail at [toni.williams@wdc.usda.gov](mailto:toni.williams@wdc.usda.gov)
- telephone at 202-720-2270.

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### 2 National and State FSFL Findings

#### A Approval and Processing Common Findings

The following table provides findings for FSFL's approved and disbursed during FY 2011 and FY 2012.

Approval	
Descriptions of Findings	Procedure Reference and Policy
CCC-185 was not properly completed.	1-FSFL, paragraph 51.  CCC-195 Processing, item 6 B.
No record of FSFL application fee was collected at the time of FSFL request.	1-FSFL, paragraphs 30 and 312.  CCC-195 Processing, item 6 C.
FSFL approval was not documented in the STC or COC meeting minutes.	1-FSFL, subparagraphs 2 G and 115 B.  CCC-195 Processing, item 14 B.
Delegation of authority is not on file for those employees signing forms and documents relating to FSFL.	1-FSFL, subparagraph 2 F.  All FSFL forms, <b>except</b> CCC-185, and documents prepared according to 1-FSFL may be redelegated in writing according to 16-AO, paragraphs 212 through 214.
No credit report obtained to assist with determining FSFL eligibility.	1-FSFL, paragraph 54.  CCC-195 Processing, item 7 D.
FSA-850 is not on file before approval of CCC-185.	1-FSFL, paragraphs 81, 82, and 83.  FSA-850 must be completed and no adverse environmental impacts must be determined <b>before</b> CCC-185 can be approved.  CCC-195 Processing, items 6 E and 12 A.
CCC-191: <ul style="list-style-type: none"> <li>• disbursement of loan funds is made before the borrower provides satisfactory evidence of the total cost of the facility</li> <li>• final cost document is not date-stamped when received in the County Office</li> <li>• no invoice or unsigned invoices, when a signature was required</li> <li>• inadequate or incorrect amount on the release of liability and/or the invoice to support the loan disbursement.</li> </ul>	1-FSFL, paragraph 133 provides policy for final review of cost documents.  It is important that 1-FSFL, paragraph 133 is reviewed and followed completely to ensure that CCC-191 is accurately completed and invoices and other acceptable support documentation are received to protect CCC and the FSFL applicant from the following: <ul style="list-style-type: none"> <li>• mechanic's liens or other liens</li> <li>• claims arising against the contractor or subcontractor.</li> </ul> CCC-195 Processing, item 15 K.

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### 2 National and State FSFL Findings (Continued)

#### A Approval and Processing Common Findings (Continued)

<b>Processing</b>	
<b>Descriptions of Findings</b>	<b>Procedure Reference and Policy</b>
Final lien search is not performed within 5 workdays of loan closing.	1-FSFL, subparagraphs 127 A, item 10, and 127 B, item 13 provide that within 5 workdays before FSFL closing, County Offices shall perform a final lien search on the collateral.  CCC-195 Processing, items 19 M and 20 D.
Final inspection of facility is not documented on CCC-295A before loan disbursement.	1-FSFL, paragraph 134 provides that County Offices shall document the results of the partial and final inspections in the FSFL folder on CCC-295A.  CCC-195 Processing, items 17 B and 18 B.
FSFL is not closed on or before the FSFL approval period expiration date.	1-FSFL, paragraphs 26 and 135 provide that FSFL must not be disbursed with an expired approval date.  CCC-195 Processing, item 15 H.
Disbursement calculator was not completed.	1-FSFL, paragraph 28 provides that a disbursement calculator must be: <ul style="list-style-type: none"> <li>• completed before a partial or final disbursement</li> <li>• filed in the producer's FSFL folder before disbursement.</li> </ul> CCC-195 Processing, items 16 A through D.
Incorrect FSFL interest rate was used.	1-FSFL, paragraph 29 provides policy for FSFL interest rate.
CCC-195 Processing was not properly completed.	1-FSFL, subparagraph 52 B provides procedures for properly completing CCC-195 Processing for each FSFL request received.

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### 2 National and State FSFL Findings (Continued)

#### B Servicing Common Findings

The following table provides FSFL servicing findings during FY 2008 and FY 2010.

Servicing	
Descriptions of Findings	Procedure Reference and Policy
Proper notifications were not timely issued to borrowers of servicing actions; for example, reminder and notification letters and demand letters.	<p>1-FSFL, paragraph 158 provides basic servicing policies. County Offices are required to mail reminder and notification letters and demand letters timely.</p> <p>The date the first demand letter was mailed begins the due process period to start legal action if the annual installment repayment is not received in the County Office.</p> <p>CCC-195 Servicing, items 6 A, C, E, and F.</p>
Incorrectly entered loan installment repayments in both System 36 and NRRS.	<p>1-FSFL, paragraph 380 provides repayment processing policy. 1-FSFL, subparagraph 380 A instructs County Offices to enter all FSFL repayments in the FSFL software and deposit in NRRS according to current FI remittance procedure. Additionally, 1-FSFL, Exhibit 36 provides an FSFL repayment example for recording in NRRS.</p> <p>It is imperative that County Offices enter <b>all</b> repayments correctly in both System 36 and NRRS.</p> <p>CCC-195 Servicing, item 6 B.</p>
Annual verification of multi-peril crop, flood, and/or all-peril structural insurance policies were not performed.	<p>1-FSFL, subparagraph 163 A provides that annually County Offices must verify that required insurance policies are current and CCC is listed as a loss payee.</p> <p>CCC-195 Servicing, items 10 A through C.</p>